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JUN 18 1956

CONFIDENTIAL

TO: The Honorable

John B. Hollister, Director,
International Cooperation Administration.

SUBJECT: FY 1956 Development Assistance - Libya.

With regard to your memorandum of June 8, I share your concern over the desirability of exercising good business management in releasing \$5 million in FY 1956 Development Assistance funds to Libya. I believe that every effort should be made to insure that the projects undertaken with these funds meet ICA standards and that representatives of the U.S. should have the opportunity to review the physical progress of the projects and the financial records pertaining thereto.

I find, however, that the unique arrangement under which we have been providing Development Assistance to Libya may require some modification of the type of control which we usually exercise. For special reasons related to the establishment and use of our air bases in Libya, the Air Force is providing from its appropriations funds for economic aid to Libya which are released in lump sum payments to LARC currently at the rate of \$4 million annually. In addition, Development Assistance out of Mutual Security Funds in the amount of \$3 million was approved for Libya for FY 1955 and similarly turned over to LARC in a lump sum. Both our Ambassador and the Director of USOM in Libya are urging the continuation of that system, but with the important refinement that the funds are earmarked in advance for projects of which we approve. While this system of lump-sum releases is certainly not one which we would normally choose, it seems to me that there are over-riding reasons for not embarking on a change at this time.

DEPARTMENT OF STATE A/CDC/MR

REVIEWED BY

G.M. Razi DATE *July 6, 1982*

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Accordingly, I urge approval of instructions to the Ambassador and the USOM/L Country Director of the USOM authorizing them to release to LARC \$5 million in FY 1956 Development Assistance in a lump sum. It is assumed that the two U.S. representatives on the LARC Board will continue to exercise special vigilance regarding the approval of projects and their execution so as to assure application of ICA standards to the greatest extent possible.

HERBERT HOOVER, JR.

Under Secretary

JUN 17 1956
A true copy of
signed original

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